

P-489/M-89-181APPROVING PLAN AS MODIFIED

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of Vicom Incorporated
Proposing to Introduce a Promotional
Offering Called the Frequent Caller Savings
Plan

ISSUE DATE: June 7, 1989

DOCKET NO. P-489/M-89-181

ORDER APPROVING PLAN AS
MODIFIED

PROCEDURAL HISTORY

On March 24, 1989, Vicom Incorporated (Vicom or the Company) filed a proposal for a promotional program called the Frequent Caller Savings Plan. Under the plan, the Company would apply a percentage of a customer's monthly long distance bill toward Frequent Caller Points, which are redeemable toward labor charges for additions and upgrades to Vicom equipment systems. To benefit from the points, a subscriber would have to be a customer of both Vicom long distance service and Vicom equipment. The Company proposed to offer the program on a six-month trial basis. If successful, the program would become permanent.

In its Report of Investigation and Recommendation of April 25, 1989, the Department of Public Service (DPS or the Department) recommended that the Commission disapprove the plan. The DPS was concerned about the possibility of discriminatory pricing and cross-subsidization that could result from the plan. Also, the DPS objected to some statements made in promotional material.

The Company responded to the DPS recommendations on May 4, 1989, stating that it was willing to modify the program to meet the DPS concerns.

The DPS responded to the Company and recommended that the program be approved with three modifications.

The Commission met on May 30, 1989 to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission must decide whether to approve the Frequent Caller Savings Plan as modified.

The Department raised some concerns regarding the possibility of price discrimination and cross-subsidization resulting from the Company's proposed plan as filed. As originally proposed, only users of the Company's telephone equipment could take advantage of the plan. The Company stated that it would be willing to modify the program to give credits of equivalent value to those customers who do not own telephone equipment sold by Vicom.

If the plan is available on this basis, toll customers would be able to use the accrued points to reduce their monthly toll charges; in effect, the points would apply as a volume discount. All toll customers, regardless of whether or not they also own equipment, would receive the benefit of the Frequent Caller Points. The Commission concludes that making the points available toward monthly toll bills, as well as toward equipment installations and labor charges, for all customers would implement the plan in a nondiscriminatory manner.

Further, the Commission believes that so long as the points are made available to toll customers to use toward any Vicom service, problems with cross-subsidization are alleviated. The Commission does not regulate the prices of Vicom equipment. However, if the effective prices of equipment and labor are reduced as a result of the plan, the Commission does have authority to ensure that the source of the discount, the points earned from toll, are available for use toward the purchase of toll, equipment, or a combination of both.

Finally, the Company offered to clarify its promotional materials regarding the plan. The Commission will order that the marketing material be amended to reflect the new terms of the plan, making clear that points are applicable toward monthly fees and long distance bills as well as equipment.

The Commission will approve the plan as modified.

ORDER

1. The Commission hereby approves Vicom's Frequent Caller Savings Plan subject to the following conditions:
 - A. The Frequent Caller Points must be made available to all toll customers for application toward the reduction of monthly payments and long distance charges, as well as toward equipment and labor charges;
 - B. The marketing material for the plan must be redesigned to reflect the changes discussed above.
 - C. The Company must resubmit advertising copy to the Department for review to ensure compliance with this Order at least two weeks before making promotional materials available to customers.
2. The Company shall file tariff pages explaining the Frequent Caller Savings Plan within 10 days of the issue date of this Order.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)